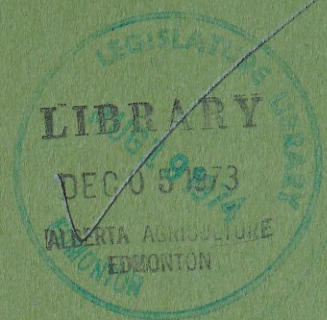
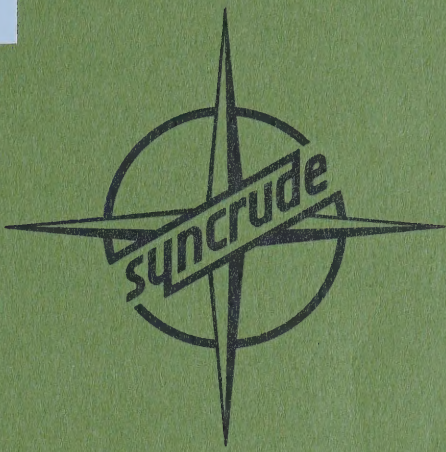


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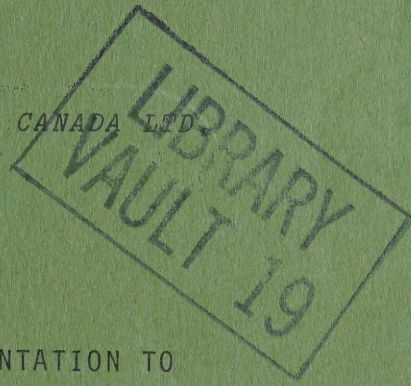
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Syncrude Canada Ltd. Presentation to the
Alberta Cabinet, Friday, June 2, 1973
3 3398 00131 4532

RTA
Executive Council

1973 #25]



SYNCRUDE CANADA LTD.



PRESENTATION TO

THE ALBERTA CABINET

FRIDAY, JUNE 22, 1973

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1. MANY PEOPLE BELIEVE THAT SYNCRUDE'S DECISION IS A
SIMPLE ONE BECAUSE OF THE PROBABLY EXALATION IN
WORLD OIL PRICES IN THE NEXT FEW YEARS AND THAT
A TAR SAND PLANT IS MORE TO BE A HIGHLY PROFITABLE
VENTURE.

2. THIS BELIEF IS SIMPLY NOT TRUE AND CAN LEAD TO MANY
MISTAKES.

THE FOLLOWING PAGES REFLECT
MATERIAL PRESENTED TO MEMBERS OF THE ALBERTA
CABINET ON FRIDAY, JUNE 22, 1973. THIS
INFORMATION CONCISELY DESCRIBES THE AREAS OF
CONCERN WHICH CURRENTLY CONFRONT THE SYNCRUDE
PROJECT.

4. SYNCRUDE'S DECISION PROCESS IS A COMPLEX MATTER
INVOLVING MANY CONSIDERATIONS.



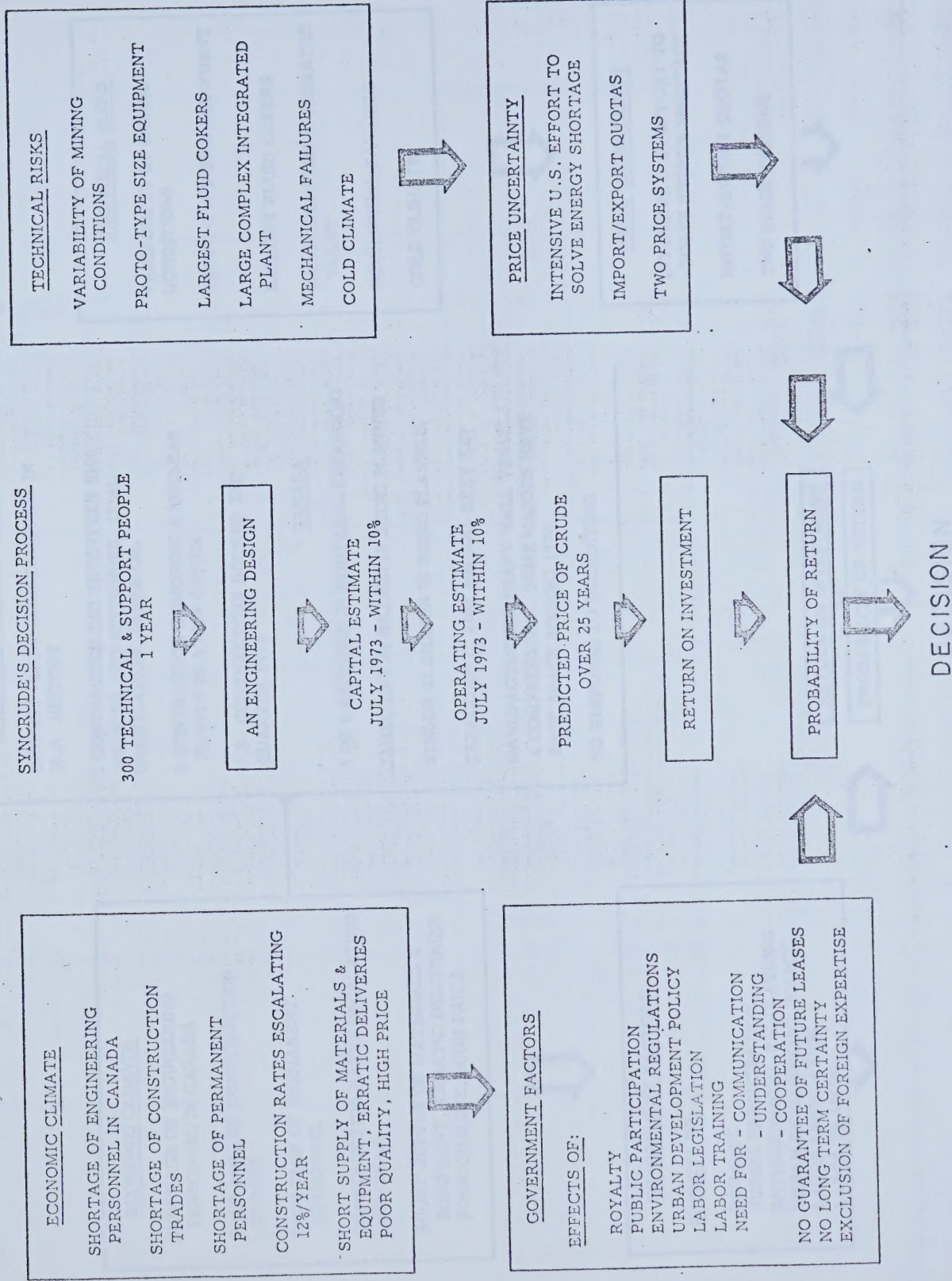
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https://archive.org/details/ableg_33398001314532

1. MANY PEOPLE BELIEVE THAT SYNCRUDE'S DECISION IS A SIMPLE ONE BECAUSE OF THE PROBABLE ESCALATION IN WORLD CRUDE PRICES IN THE NEXT FEW YEARS AND THAT A TAR SAND PLANT IS BOUND TO BE A HIGHLY PROFITABLE VENTURE.
2. THIS BELIEF IS SIMPLY NOT TRUE AND CAN LEAD TO MANY ERRONEOUS CONCLUSIONS AND ATTITUDES.
3. WE BELIEVE THAT THE GOVERNMENT OF ALBERTA SHOULD HAVE A COMPLETE UNDERSTANDING OF THE EXTENT AND THE GRAVITY OF THE PROBLEMS FACING SYNCRUDE.
4. SYNCRUDE'S DECISION PROCESS IS A COMPLEX MATTER INVOLVING MANY CONSIDERATIONS.

VIEW GRAPH II

SYNCRUDE'S DECISION PROCESS



VIEW GRAPH II-A

ECONOMIC CLIMATE - U.S.

HIGHEST PLANT CONSTRUCTION IN
N.A. HISTORY

1 CONTRACTOR BID SEVENTEEN \$100
MM JOBS 1973 REFINERIES, COAL
GASIFICATION, SHALE OIL

1 CONTRACTOR DESIGNING 6 NUCLEAR
PLANTS IN A NEW OFFICE

U.S. CONTRACTORS BOOKED 3RD
QUARTER 1973

- CANADA

5 OF 6 REFINERS IN MONTREAL EXPANDING

JAMES BAY \$4 BILLION IS BEING PLANNED

STELCO \$1 BILLION IS BEING PLANNED

TEXACO ONT. \$200 MM HAS BEEN BID

MANUFACTURERS HEAVY WALL VESSELS
& COMPRESSORS. SOME MAJORS HAVE
SHOP SPACE BOOKED 1974

NO RESPONSE TO RECRUITING

ECONOMIC CLIMATE

SHORTAGE OF ENGINEERING
PERSONNEL IN CANADA

SHORTAGE OF CONSTRUCTION
TRADES

SHORTAGE OF PERMANENT.
PERSONNEL

CONSTRUCTION RATES ESCALATING
12%/YEAR

SHORT SUPPLY OF MATERIALS &
EQUIPMENT, ERRATIC DELIVERIES
POOR QUALITY, HIGH PRICE

TECHNICAL RISKS

VARIABILITY OF MINING
CONDITIONS

PROTO-TYPE SIZE EQUIPMENT

LARGEST FLUID COKERS

LARGE COMPLEX INTEGRATED
PLANT

MECHANICAL FAILURES

COLD CLIMATE

GOVERNMENT FACTORS

EFFECTS OF:

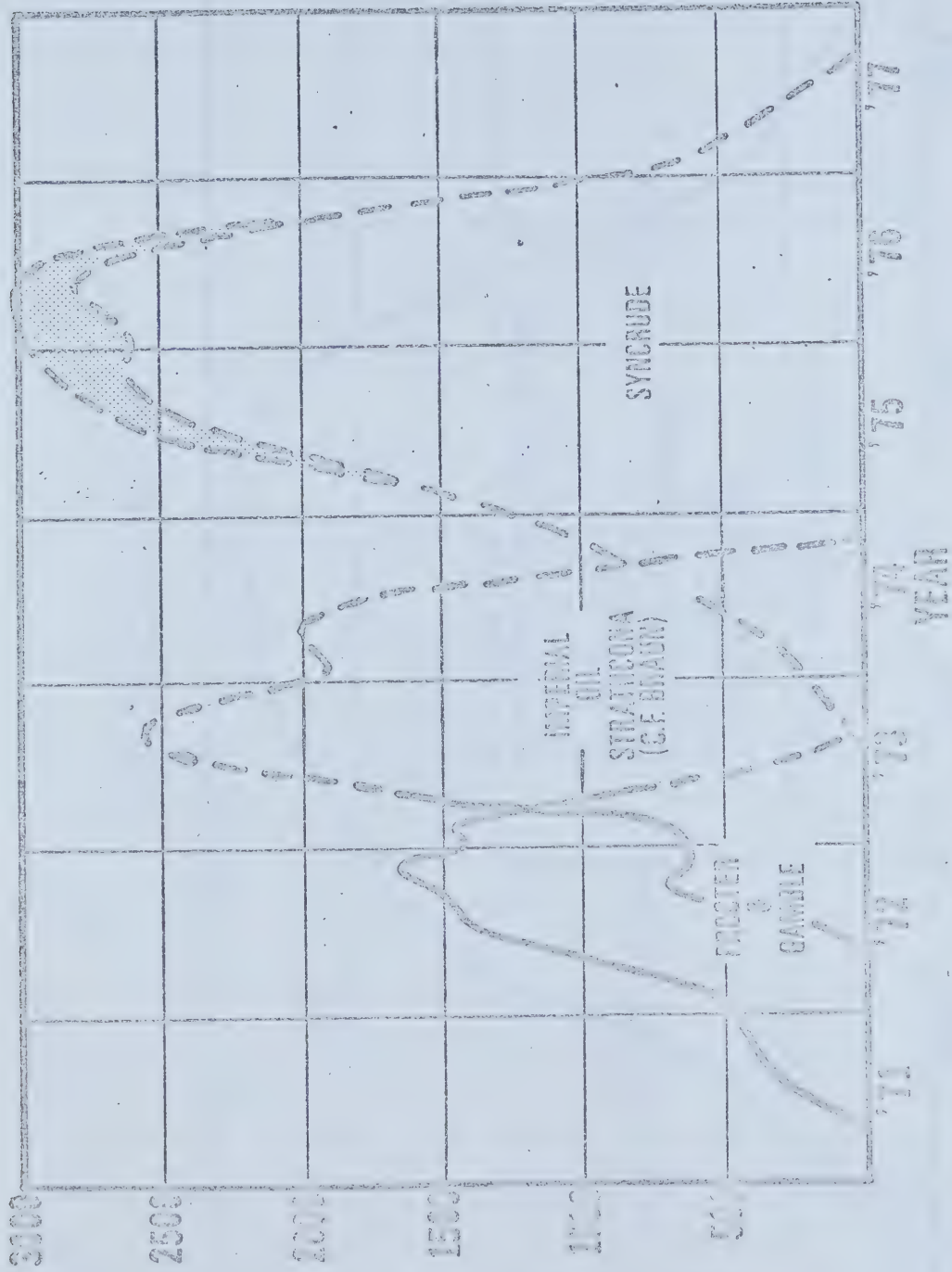
ROYALTY
PUBLIC PARTICIPATION
ENVIRONMENTAL REGULATIONS
URBAN DEVELOPMENT POLICY
LABOR LEGISLATION
LABOR TRAINING

PRICE UNCERTAINTY

INTENSIVE U.S. EFFORT TO
SOLVE ENERGY SHORTAGE
IMPORT/EXPORT QUOTAS
TWO PRICE SYSTEMS

DECISION

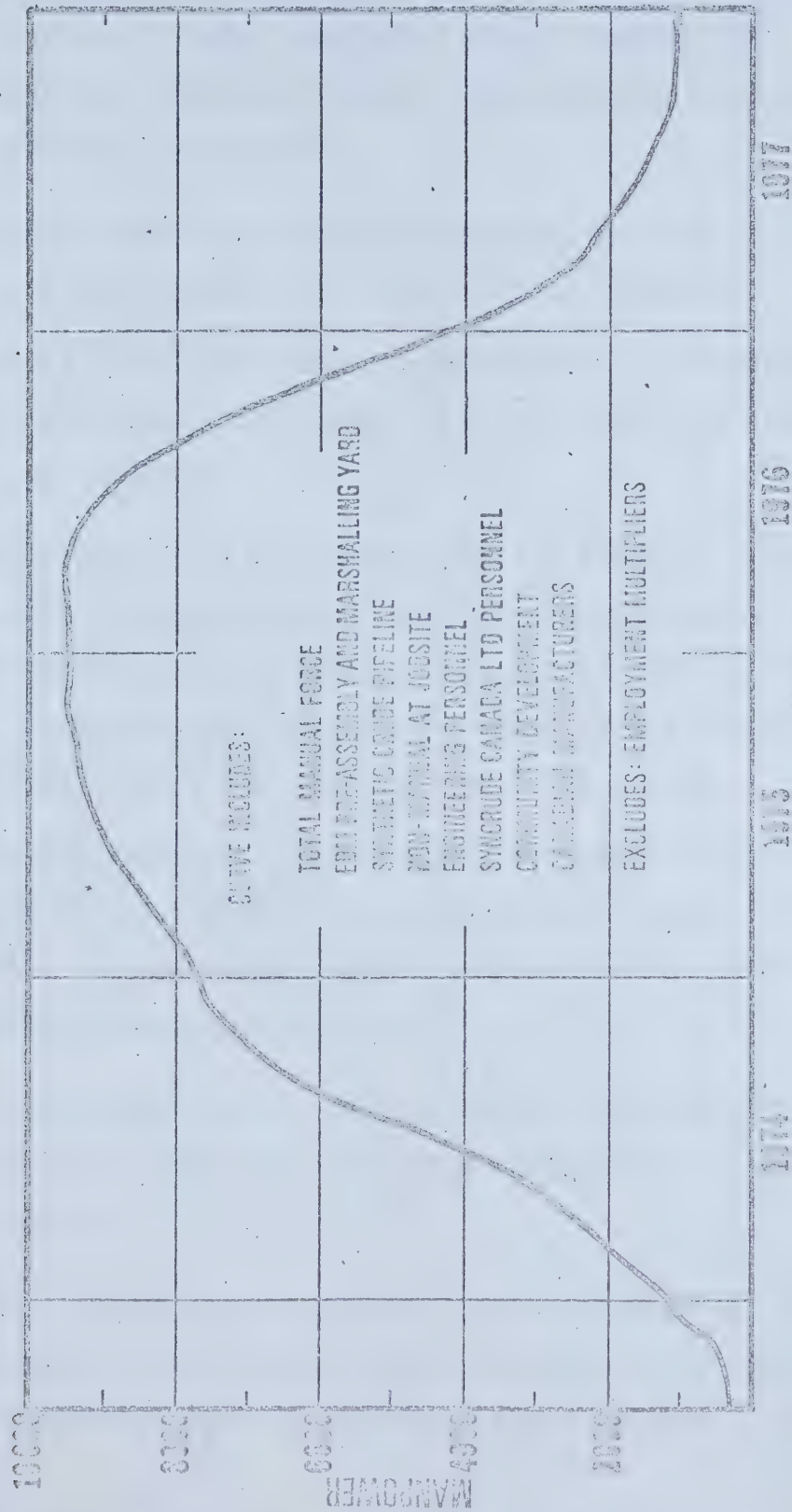
ALBERTA PROJECTS 1971-1977



EDM PRE-ASSEMBLY & MARSHALLING YARD

CONFIDENTIAL

TOTAL DIRECT EMPLOYMENT



SYNCRUDE CANADA LTD
MILNER LAKE PROJECT
APR 1973 - REV 1

CONFIDENTIAL

1. SYNCRUDE IS READY TO PROCEED AND WANTS TO PROCEED IN AUGUST 1973, PROVIDING ESTIMATES PRESENTLY BEING PREPARED ARE SATISFACTORY AND REASONABLE SUPPORT AND ASSURANCES CAN BE RECEIVED FROM THE GOVERNMENT.
2. IN PROCEEDING THROUGH THE DECISION PROCESS, WE HAVE TO HONESTLY AND OBJECTIVELY APPLY THE FACTS WE DETERMINE.

"VIEWED TODAY, THE TOTAL PROBLEMS SURROUNDING THE MODEST INDICATED RETURN CAN ONLY RESULT IN A RECOMMENDATION THAT WE SHOULD NOT PROCEED"
3. ONE OF THE BIGGEST NEGATIVE FACTORS IS THE ECONOMIC CLIMATE. OUR ONLY HOPE OF REDUCING THIS RISK IS BY MOVING RAPIDLY. WE ARE PROBABLY IN A MORE ADVANCED STAGE THAN MANY OF THE PROJECTED PLANTS AND MAY PRECEDE THE WORST OF THE CONGESTION IN ENGINEERING SUPPLY AND CONSTRUCTION IF WE ACT NOW.
4. THE GOVERNMENT WANTS TO BE A PARTNER WITH INDUSTRY IN THE DEVELOPMENT OF THE TAR SAND. WE CAN ONLY MOVE QUICKLY IF SYNCRUDE AND THE GOVERNMENT MUTUALLY RECOGNIZE THE NEED AND WORK TOGETHER TO ACHIEVE THE RESULT.
5. IT IS MOST IMPORTANT FOR THE MINISTERS AND THE PREMIER OF ALBERTA TO FULLY UNDERSTAND THE BASIC PROBLEMS AND ISSUES FACING SYNCRUDE.
6. IF THE BASIC ISSUES CAN BE SETTLED, THEN WE SHOULD SET UP DIRECT COMMUNICATION SYSTEMS BETWEEN GOVERNMENT AND SYNCRUDE STAFF TO CONCEIVE MUTUALLY ACCEPTABLE PLANS BY JULY 6, 1973.

ECONOMIC CLIMATE

SHORTAGE OF ENGINEERING PERSONNEL
IN CANADA

SHORTAGE OF CONSTRUCTION TRADES

SHORTAGE OF PERMANENT PERSONNEL

CONSTRUCTION RATES ESCALATING
12%/YEAR

SHORT SUPPLY OF MATERIALS &
EQUIPMENT, ERRATIC DELIVERIES,
POOR QUALITY, HIGH PRICE



AREA OF CONCERN

- . ADMINISTRATIVE, PROFESSIONAL & TECHNICAL PERSONNEL
- . CONSTRUCTION LABOUR
- . PERMANENT OPERATING PERSONNEL
- . HOUSING
- . LABOUR LEGISLATION
- . LABOUR RELATIONS
- . SUPPLY OF MATERIAL AND EQUIPMENT
- . ROYALTY
- . PUBLIC PARTICIPATION
- . ENVIRONMENTAL REGULATIONS
- . COMMUNICATION WITH GOVERNMENT
- . GUARANTEE OF FUTURE LEASES
- . LONG-TERM CERTAINTY
- . EXCLUSION OF FOREIGN EXPERTISE

GOVERNMENT FACTORS

EFFECTS OF:

ROYALTY
PUBLIC PARTICIPATION
ENVIRONMENTAL REGULATIONS
URBAN DEVELOPMENT POLICY
LABOR LEGISLATION
LABOR TRAINING
NEED FOR - COMMUNICATION
- UNDERSTANDING
- COOPERATION
NO GUARANTEE OF FUTURE LEASES
NO LONG-TERM CERTAINTY
EXCLUSION OF FOREIGN EXPERTISE

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
-----------------	-----------	-------------	--------------------

PERMANENT ADMINISTRATIVE, PROFESSIONAL & TECHNICAL PERSONNEL	NUMBERS & TYPES REQUIRED WHEN REQUIRED	EXTREME SHORTAGES NON-COMPETITIVE STATUS	INCENTIVES - PAY - ADVANCEMENT - HOUSING *
			OUT-OF-PROVINCE PROMOTION AND RECRUITMENT*

* PROVINCIAL GOVERNMENT SUPPORT NEEDED

SYNCRUDE REQUIREMENTS FOR KEY A.P.T. PERSONNEL

MID-1973

<u>POSITION</u>	<u>LEVEL</u>
PLANT MANAGER	SENIOR MANAGEMENT
CHIEF CONSTRUCTION ENGINEER	SENIOR MANAGEMENT
SYSTEMS AND COMPUTING SUPERVISOR	UPPER ADMINISTRATIVE
PROJECT ENGINEERS	UPPER ENGINEERING
TRANSPORTATION ENGINEER	UPPER ENGINEERING
CHIEF INSPECTOR	UPPER ENGINEERING
MECHANICAL ENGINEERS	INTERMEDIATE ENGINEERING
CIVIL/STRUCTURAL ENGINEER	INTERMEDIATE ENGINEERING
PROCESS ENGINEERS	INTERMEDIATE ENGINEERING
EXTENSION SPECIALIST	INTERMEDIATE ADMINISTRATIVE
ELECTRICAL ENGINEER	JOURNEYMAN ENGINEERING
INSTRUMENT TECHNOLOGIST	JOURNEYMAN TECHNOLOGIST

AREA OF CONCERN

THE FACTS

THE PROBLEM

POSSIBLE SOLUTIONS

NEW TRAINEES

- APPRENTICESHIP

*

- ~~NATIVE LABOR~~

*

- CONTINUING EMPLOYMENT

EXTREME
SHORTAGES

PEAK
REQUIREMENTS
- 2,600/3,000

INCENTIVES

- HOUSING

*

STATUS

NON-COMPETITIVE

- PAY - OVERTIME

DURATION OF
REQUIREMENTS

- WORKING CONDITIONS

EFFECT OF U.I.C.
BENEFITS

- EDMONTON/FORT McMURRAY HIGHWAY*

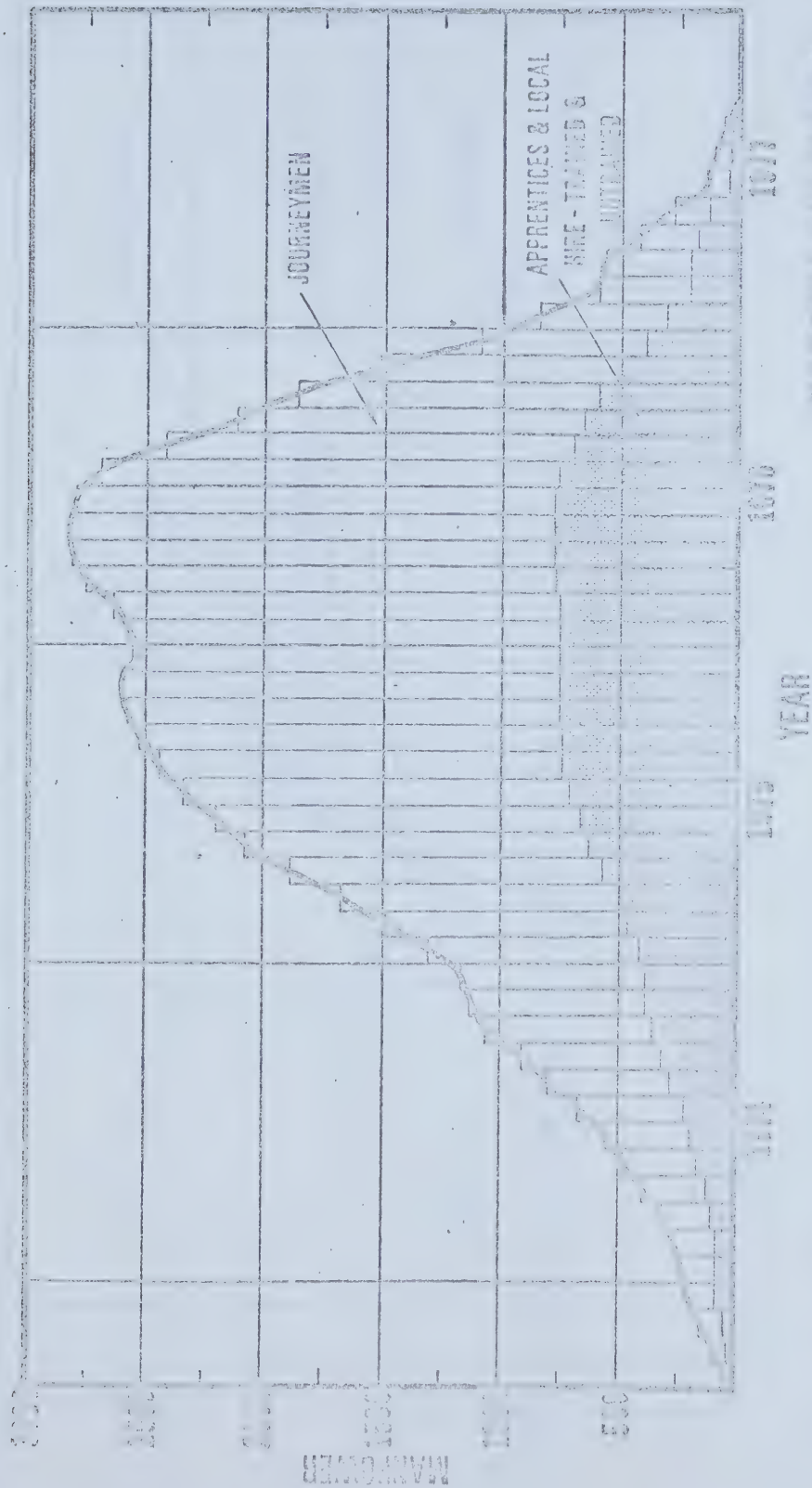
- 4 YEARS

- TIGHTER U.I.C. CONTROLS

*

OUT-OF-PROVINCE RECRUITMENT

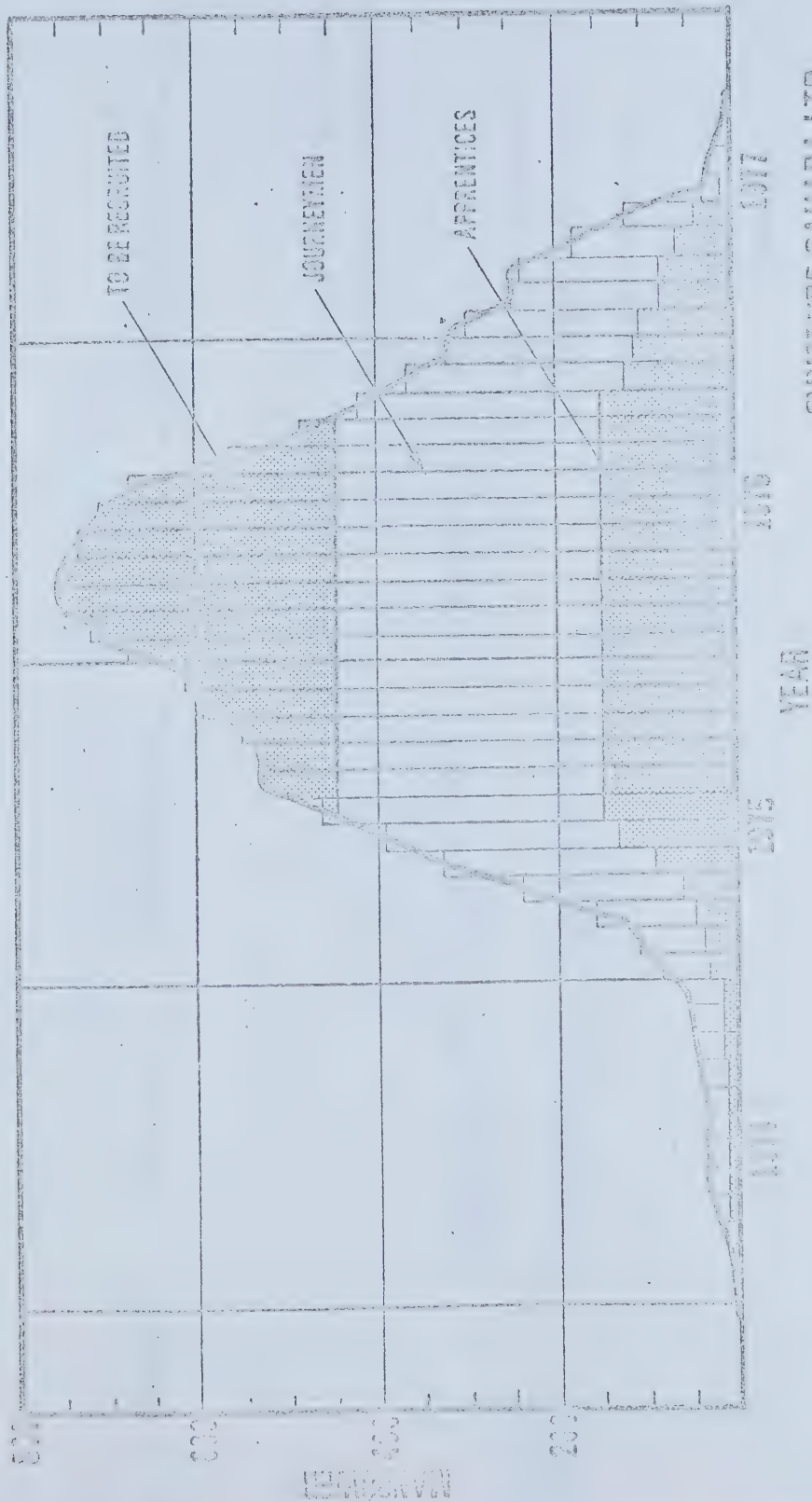
TOTAL SITE MANUAL FORCE



SYNCHROME CANADA LTD
 AMULTEE LAKE PROJECT
 FEB 1973 - REV 1

CONFIDENTIAL

APPRENTICES

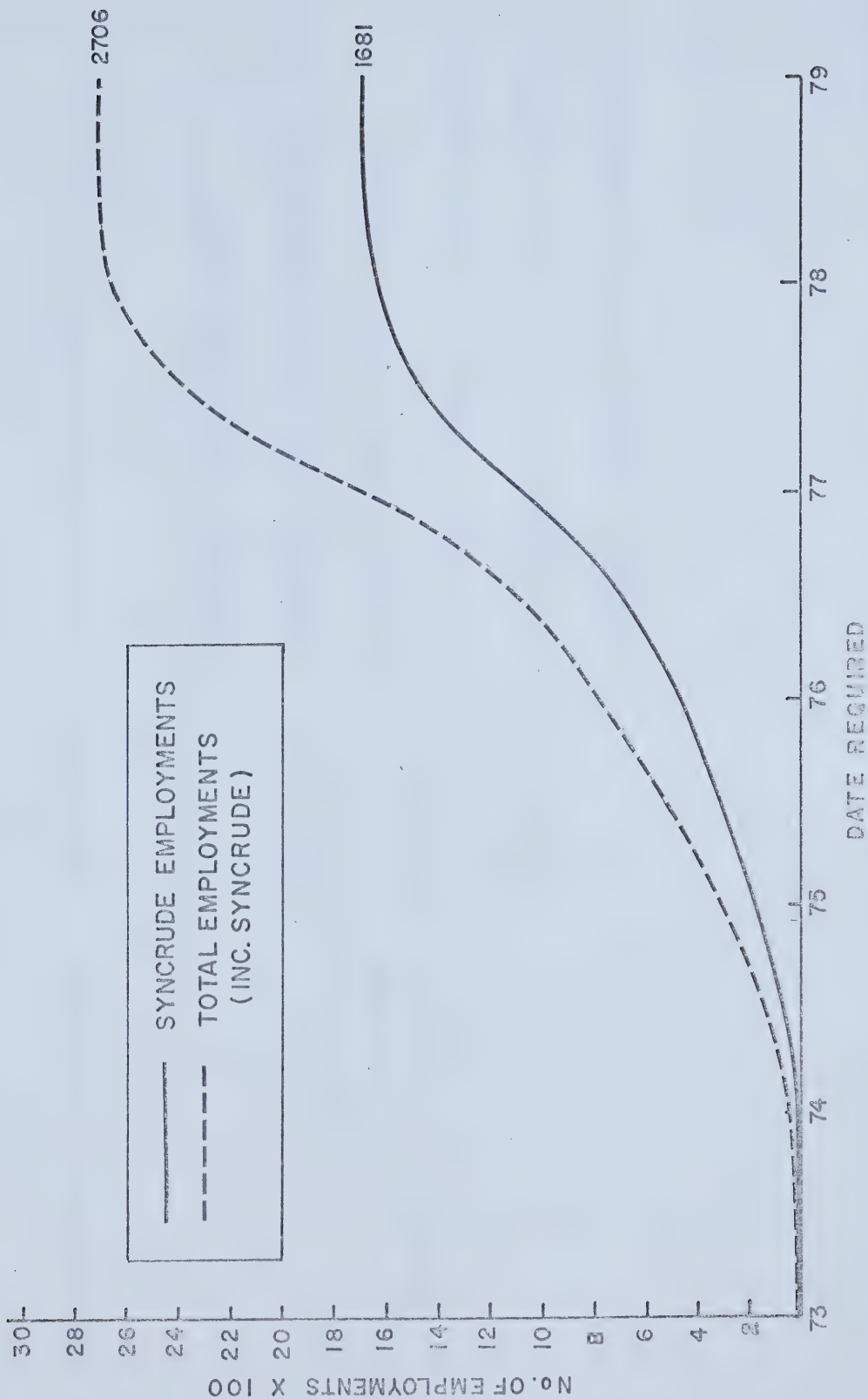


SYNTHETIC CANADALTD
 MILLERDAVE PROJECT
 FEB 1973 - REV 1

CONFIDENTIAL

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
PERMANENT OPERATING PERSONNEL	NUMBERS & TYPES REQUIRED	EXTREME SHORT- AGES	NEW TRAINEES - FOCUS ON NORTHERN RESIDENTS* - ADVANCEMENT OPPORTUNITY
	WHEN REQUIRED	NON-COMPETITIVE STATUS	INCENTIVES - HOUSING* - PAY (UNDESIRABLE) - LIVING COST SUBSIDIES - URBAN AMENITIES
			OUT-OF-PROVINCE - RECRUITMENT* - PROMOTION

PERMANENT EMPLOYMENT GENERATED BY SYNCRUDE PROJECT

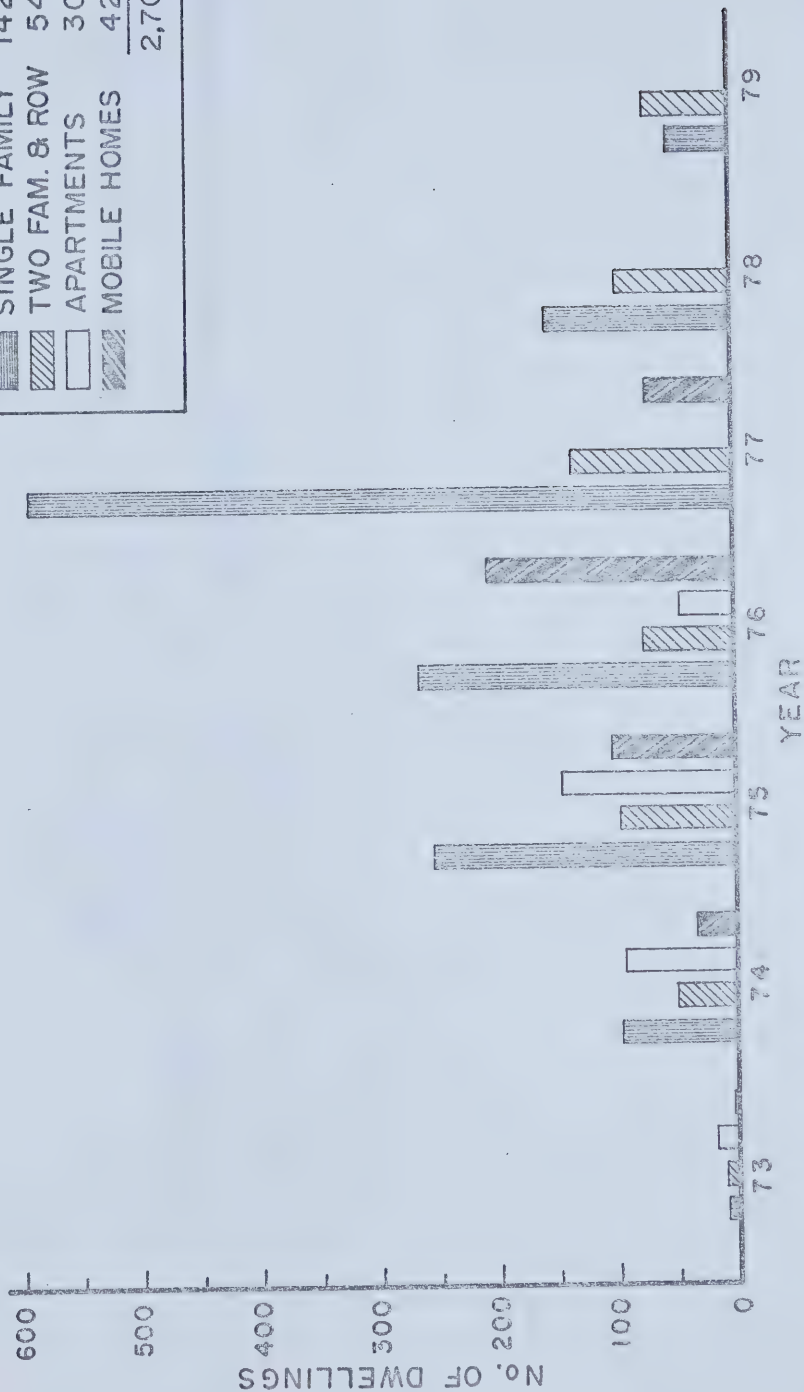


AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
			SPEED-UP OF LAND DEVELOPMENT - CONCURRENT DEVELOPMENT OF ALL EXPANSION AREAS *
		SERVICED LAND - TOO LITTLE - TOO LATE	GOVERNMENT ACTION TO CONTROL LOT PRICES - SPREAD COSTS INTO LONG-RANGE DEVELOPMENTS *
	DEMAND LEVEL		
	- SYNCRUDE		NON-PROFIT APPROACH TO LAND DEVELOPMENT *
HOUSING	- RELATED EMPLOYMENT	HIGH DEVELOPMENT COSTS	BULK PURCHASE & MOVEMENT OF BUILDING MATERIALS *
		LACK OF RECOGNITION OF INDIVIDUAL PREFERENCES	ENCOURAGEMENT TO MANUFACTURE BUILDING MATERIALS IN LOCAL AREA *
			GOOD QUALITY TEMPORARY HOUSING FOR RESIDENTIAL CONSTRUCTION WORKERS *

YEARLY HOUSING REQUIREMENTS SYNCRUDE PROJECT

(INC. SYNCRUDE, BECHTEL NON-MANUAL & SERVICE)

TOTAL REQUIREMENTS	
SINGLE FAMILY	1429
TWO FAM. & ROW	548
APARTMENTS	307
MOBILE HOMES	422
	<u>2,706</u>



AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
LABOUR LEGISLATION	MULTIPLE - AGREEMENTS - BARGAINING AGENTS	CONFLICTING AGREEMENT PRO- VISIONS HIGH INCIDENCE OF JURISDIC- TIONAL DISPUTES	INDUSTRIAL CONSTRUCTION AGREEMENT LEGISLATIVE CHANGES WHICH ENCOURAGE SUCH AGREEMENTS*

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
LABOUR RELATIONS	LABOUR/MANAGEMENT CONFLICT	BARGAINING IMBALANCE	*
		WAGE & COST ESCALATION	INTERVENTION -
		- 12% PER YEAR	- TO HEAD OFF STOPPAGES
			- ENSURE SOUND RATE OF WAGE RISE
		HIGH RISK OF STOPPAGE AND COST PENALTIES	

ALTERNATIVE COLLECTIVE BARGAINING

APPROACHES AND RESULTS

- "PEACEFUL" SETTLEMENT BOUGHT AT THE EXPENSE OF EXCESSIVE WAGE INCREASES.
- LOWER SETTLEMENT FOLLOWING A MAJOR CONFRONTATION AND EXTENDED WORK STOPPAGE INITIATED BY EITHER SIDE.
- A "FAIR" SETTLEMENT, ACHIEVED WITHOUT DISRUPTION, EQUALLY SUITABLE TO BOTH SIDES AND IN HARMONY WITH OTHER INDUSTRIES.
- THE APPLICATION OF CONSTRUCTION WAGE CONTROLS.
- A "PROPER" LEVEL OF SETTLEMENT THROUGH VOLUNTARY BINDING ARBITRATION.
- THE SAME KIND OF SETTLEMENT THROUGH COMPULSORY ARBITRATION.
- A NEW APPROACH OF HIGH LEVEL THIRD PARTY MEDIATION ON A COMPULSORY BASIS AND DIRECTED TO A SOUND RESULT.

74

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
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IDENTIFIED
DEMANDS FOR
MATERIAL AND
EQUIPMENT

HIGH WORLD
DEMAND

RAPID CONCLUSION TO NEGOTIATIONS*

SUPPLY -
MATERIAL &
EQUIPMENT

SOURCE

POOR - DELIVERY

- CANADA

- PRICE

RAPID START TO PRECEDE WORST CONGESTION

- NORTH
AMERICA

, - - QUALITY

- WORLD

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
INITIAL GOVERNMENT PROPOSED FORMULA	PROPOSED SYN-CRUDE FORMULAS	SERIOUS PROFITABILITY IMPACT OF INITIAL GOVERNMENT FORMULA	RESIDUAL VALUE ROYALTY FORMULA *
INDICATED PROFITABILITY	- CAPITAL COST - OPERATING COST	INITIAL GOVERNMENT FORMULA DOES NOT ADJUST TO VARIATIONS OF RETURNS	
- CRUDE OIL PRICE PROJECTION			

RESIDUAL VALUE ROYALTY FORMULA

CRUDE PRICE	\$ P
LESS:	
OPERATING COST	\$ O
ANNUAL DEPRECIATION	\$ D
RATE BASE RETURN	<u>\$ R</u>
TOTAL DEDUCTIBLE COST	\$ C <u>-C</u>
RESIDUAL VALUE	\$ V

ROYALTY = X% of "V"

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
PUBLIC PARTICIPATION	GOVERNMENT POLICY TO FOSTER PUBLIC PARTICIPATION SYNCRUDE POLICY TO ESTABLISH EQUAL RISK BASIS	GOVERNMENT POLICY TO RESERVE LOW RISK POSITION POTENTIAL CONFLICT OF INTEREST IF PARTICIPATION IN COMPETING PROJECTS	UNIFORM PERCENTAGE OF TOTAL PROJECT*
		WILL THE POLICY FOR SYNCRUDE STAND UP IN APPLICATION TO OTHER PROJECTS	

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
ENVIRONMENTAL REGULATION	PROVINCIAL ENVIRONMENTAL REGULATIONS SYNCRUDE RESEARCH IN ECOLOGY AND PROGRAM DEVELOPMENT	POTENTIAL COST IMPACT DESIGN NOT YET COMPLETE PERMIT APPROV- ALS NOT YET RECEIVED FROM DEPARTMENT OF THE ENVIRONMENT AND ENERGY RESOURCES CON- SERVATION BOARD	CONTINUATION OF REASONABLE APPROACH BY THE DEPARTMENT OF THE ENVIRONMENT AND THE ENERGY RESOURCES CONSERVATION BOARD AND SYNCRUDE *

AREA OF CONCERN	THE FACTS	THE PROBLEM	POSSIBLE SOLUTIONS
COMMUNICATION WITH GOVERNMENT	CHANNELS OF COMMUNICATION AREAS OF RES- PONSIBILITY IDENTIFIED	NO FIRM PATTERNS OF COMMUNICATION DIFFICULTY IN GAINING SUPPORT & UNDERSTANDING AND HENCE, REQUIRED ACTION	THE CLARIFICATION AND MUTUAL UNDERSTANDING OF PRIORITIES* ESTABLISHMENT OF GOVERNMENT/SYNCRUDE COMMUNI- CATION SYSTEMS* - QUICK RESPONSE TO URGENT MATTERS - PROVISION OF PATTERN OF REGULAR CONTACTS

<u>AREA OF CONCERN</u>	<u>THE FACTS</u>	<u>THE PROBLEM</u>	<u>POSSIBLE SOLUTIONS</u>
GUARANTEE OF FUTURE LEASES	LEASE RENEWAL REGULATED BY GOVERNMENT	INTIMATION THAT LEASE RENEWAL IN QUESTION	REASONABLE COMMITMENT OF LEASE RENEWAL*
		NO OPPORTUNITY TO USE FIRST PLANT EXPERIENCE TO ACHIEVE HIGHER RETURN IN SUBSE- QUENT PLANTS	

<u>AREA OF CONCERN</u>	<u>THE FACTS</u>	<u>THE PROBLEM</u>	<u>POSSIBLE SOLUTIONS</u>
LONG-TERM CERTAINTY	<u>GOVERNMENT ACTS AND REGULATIONS</u> <u>EXAMPLES</u> ENVIRONMENTAL ENERGY RESOURCES CONSERVATION MINES & MINERALS	BEING SUBJECTED TO FUTURE MAJOR CHANGES IN LEASE POLICY, ROYALTY OR GOV- ERNMENT REGULA- TIONS	REASONABLE COMMITMENTS FROM GOVERNMENT *

<u>AREA OF CONCERN</u>	<u>THE FACTS</u>	<u>THE PROBLEM</u>	<u>POSSIBLE SOLUTIONS</u>
EXCLUSION OF FOREIGN EXPERTISE	SYNCRUDE COMMIT- MENT TO USE MAX- IMUM ALBERTA CONTENT	CONTINUING PUBLIC MISUNDER- STANDING AND CRITICISM	PUBLIC ENDORSEMENTS OF PLANS AFTER APEGGA SATISFIED AND CONTRACTING AND PURCHASING PLAN AGREED TO BY GOVERNMENT*
	SYNCRUDE HAS SATISFIED APEGGA COUNCIL		
	SYNCRUDE PLANS MAXIMUM LOCAL SUB-CONTRACT		
	SYNCRUDE POLICY USE OF ALBERTA PRODUCTS AND FABRICATION SHOPS WHERE PRICE, QUALITY, AND DELIVERY ARE COMPETITIVE		

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SYNCRUDE MEETING

Friday, June 22, 1973 at 8:30 a.m.
Council Chambers, Legislative Bldg.

AGENDA

1. OPENING REMARKS BY FRANK SPRAGINS OF SYNCRUDE (5 min.)
2. PRESENTATION BY BRENT SCOTT OF SYNCRUDE (25 min.)
3. SHORT INTRODUCTION BY SYNCRUDE ON AREAS HEREINAFTER LISTED FOLLOWED BY GENERAL DISCUSSION:
 - (1) Administrative, Professional & Technical Personnel
 - (2) Construction Labour
 - (3) Permanent Operating Personnel
 - (4) Labour Relations
 - (5) Supply of Material and Equipment
 - (6) Royalty
 - (7) Public Participation
 - (8) Environmental Regulations
 - (9) Housing
 - (10) Labour Legislation
 - (11) Communication with Government
 - (12) Guarantee of Future Leases
 - (13) Long Term Certainty
 - (14) Exclusion of Foreign Expertise

OFFICE OF THE PREMIER

Mr. Frank Spragins

Mr. H. Brent Scott

Mr. Gordon Connell - Gulf

Mr. Deryk Choate - Imperial

Mr. Floyd D. Aaring - Gulf

Mr. R. B. (Dick) Galbreath - City Service

Mr. J. A. Jerry Cogan - Imperial

Mr. R. G. Gale Daniel - Atlantic Richfield

Mr. Bob McRory - Syncrude Info. Officer

Mr. Don Scott - Syncrude

